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**COTEAU WATER SYSTEM, INC.**  
New Iberia, Louisiana

**Financial Report**

**June 30, 2005**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 9/1/05

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Coteau Water System, Inc.  
New Iberia, Louisiana

We have audited the accompanying statement of financial position of the Coteau Water System, Inc. (a nonprofit organization) as of June 30, 2005, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Coteau Water System, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Coteau Water System, Inc. as of June 30, 2004, were audited by another auditor whose report dated August 31, 2004, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Coteau Water System, Inc. as of June 30, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated July 26, 2005, on our consideration of Coteau Water System Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements of the Coteau Water System, Inc. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole, except that information presented on pages 18 - 20 is based on unaudited data, on which we express no opinion.

***Kolder, Champagne, Slaven & Company, LLC***  
Certified Public Accountants

Lafayette, Louisiana  
July 26, 2005

## **FINANCIAL STATEMENTS**

COTEAU WATER SYSTEM, INC.  
New Iberia, Louisiana

Statements of Financial Position  
June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 218,019	\$ 174,327
Certificate of deposit	108,239	130,771
Accounts receivable (net)	54,878	57,362
Due from the State	-	23,839
Prepaid expenses	<u>27,767</u>	<u>16,457</u>
Total current assets	<u>408,903</u>	<u>402,756</u>
Restricted assets:		
Certificate of deposit	<u>318,606</u>	<u>293,581</u>
Total restricted assets	<u>318,606</u>	<u>293,581</u>
Property, plant and equipment	<u>2,382,436</u>	<u>2,427,771</u>
Other assets	<u>806</u>	<u>806</u>
Total assets	<u>\$3,110,751</u>	<u>\$3,124,914</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Current liabilities (payable from current assets):		
Accounts payable	\$ 2,307	\$ 78,796
Current portion of long-term debt	107,751	57,633
Interim construction financing	-	447,749
Retainage payable	-	54,822
Accrued liabilities	2,208	2,268
Interest payable	8,735	4,703
New line deposits and membership	<u>350</u>	<u>350</u>
Total current liabilities	121,351	646,321
Current liabilities (payable from restricted assets):		
Meter deposits	<u>151,410</u>	<u>145,281</u>
Total current liabilities	272,761	791,602
Long-term liabilities:		
Notes payable	<u>1,629,471</u>	<u>1,263,185</u>
Total liabilities	1,902,232	2,054,787
Net assets:		
Unrestricted	864,626	736,315
Temporarily restricted	<u>343,893</u>	<u>333,812</u>
Total net assets	<u>1,208,519</u>	<u>1,070,127</u>
Total liabilities and net assets	<u>\$3,110,751</u>	<u>\$3,124,914</u>

The accompanying notes are an integral part of these statements.

COTEAU WATER SYSTEM, INC.  
New Iberia, Louisiana

Statement of Activities  
Year Ended June 30, 2005

	Unrestricted	Temporarily Restricted	Total
Revenues:			
Service and delinquent charges	\$ 620,958	\$ -	\$ 620,958
Connection and reconnection fees	47,930	-	47,930
Interest income	9,781	-	9,781
Donations	-	10,604	10,604
Contribution from the State	-	2,287	2,287
Gain on disposal of assets	50	-	50
Membership fees	7,400	-	7,400
Miscellaneous	7,593	-	7,593
Net assets released from restrictions:			
Expiration of time restrictions	2,810	(2,810)	-
Total revenues	<u>696,522</u>	<u>10,081</u>	<u>706,603</u>
Expenses:			
Professional fees	7,025	-	7,025
Bad debts	3,709	-	3,709
Chemicals	46,870	-	46,870
Connection fees	44,139	-	44,139
Consultants	542	-	542
Depreciation	97,763	-	97,763
Director's travel and expense	718	-	718
Employee benefits	2,387	-	2,387
Insurance	24,944	-	24,944
Interest	117,367	-	117,367
Legal and professional fees	1,050	-	1,050
Line location	1,348	-	1,348
Meter reading	23,416	-	23,416
Miscellaneous expense	786	-	786
Office supplies	12,526	-	12,526
Repairs and maintenance	14,629	-	14,629
Road permits	3,883	-	3,883
Salaries	121,336	-	121,336
Taxes	8,541	-	8,541
Utilities	35,232	-	35,232
Total expenses	<u>568,211</u>	<u>-</u>	<u>568,211</u>
Change in net assets	<u>128,311</u>	<u>10,081</u>	<u>138,392</u>
Net assets, beginning of year	<u>736,315</u>	<u>333,812</u>	<u>1,070,127</u>
Net assets, end of year	<u>\$ 864,626</u>	<u>\$ 343,893</u>	<u>\$1,208,519</u>

The accompanying notes are an integral part of these statements.

COTEAU WATER SYSTEM, INC.  
New Iberia, Louisiana

Statement of Activities  
Year Ended June 30, 2004

	Unrestricted	Temporarily Restricted	Total
Revenues:			
Service and delinquent charges	\$ 609,463	\$ -	\$ 609,463
Connection and reconnection fees	31,362	-	31,362
Interest income	3,966	-	3,966
Donations	-	7,063	7,063
Contribution from the State	-	110,575	110,575
Membership fees	5,250	-	5,250
Miscellaneous	7,461	-	7,461
Net assets released from restrictions:			
Expiration of time restrictions	2,561	(2,561)	-
Total revenues	<u>660,063</u>	<u>115,077</u>	<u>775,140</u>
Expenses:			
Professional fees	6,100	-	6,100
Bad debts	371	-	371
Chemicals	51,174	-	51,174
Connection fees	30,508	-	30,508
Consultants	533	-	533
Depreciation	66,131	-	66,131
Director's travel and expense	677	-	677
Emergency response plan	8,000	-	8,000
Insurance	22,584	-	22,584
Interest	93,084	-	93,084
Legal and professional fees	3,002	-	3,002
Line location	1,401	-	1,401
Meter reading	22,040	-	22,040
Miscellaneous expense	520	-	520
Office supplies	10,570	-	10,570
Repairs and maintenance	42,851	-	42,851
Road permits	975	-	975
Salaries	119,252	-	119,252
Security	502	-	502
Taxes	11,507	-	11,507
Utilities	34,549	-	34,549
Total expenses	<u>526,331</u>	<u>-</u>	<u>526,331</u>
Change in net assets	<u>133,732</u>	<u>115,077</u>	<u>248,809</u>
Net assets, beginning of year	<u>602,583</u>	<u>218,735</u>	<u>821,318</u>
Net assets, end of year	<u>\$ 736,315</u>	<u>\$ 333,812</u>	<u>\$1,070,127</u>

The accompanying notes are an integral part of these statements.



COTEAU WATER SYSTEM, INC.

New Iberia, Louisiana

Statements of Cash Flows  
Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Cash received from customers	675,063	646,234
State grant revenue received	26,126	99,517
Interest received	9,781	3,966
Other receipts	7,593	7,461
Cash paid to suppliers	(237,099)	(250,676)
Cash paid to employees	(121,336)	(119,252)
Interest paid	<u>(113,335)</u>	<u>(93,084)</u>
Net cash provided by operating activities	<u>246,793</u>	<u>294,166</u>
Cash flows from investing activities:		
Net decrease in certificates of deposits	(2,493)	-
Purchases of investments	-	(300,717)
Maturities of investments	-	30,000
Proceeds from sale of equipment	50	-
Purchase and construction of fixed assets	<u>(175,442)</u>	<u>(608,820)</u>
Net cash used by investing activities	<u>(177,885)</u>	<u>(879,537)</u>
Cash flows from financing activities:		
Proceeds of notes payable	560,000	-
Principal payments on notes payable	(143,596)	(55,247)
Increase in meter deposits	6,129	6,343
Proceeds from (payment to) interim construction financing	<u>(447,749)</u>	<u>447,749</u>
Net cash provided (used by) financing activities	<u>(25,216)</u>	<u>398,845</u>
Net increase (decrease) in cash and cash equivalents	43,692	(186,526)
Cash and cash equivalents, beginning of period	<u>174,327</u>	<u>360,853</u>
Cash and cash equivalents, end of period	<u>\$218,019</u>	<u>\$174,327</u>

(continued)

COTEAU WATER SYSTEM, INC.  
New Iberia, Louisiana

Statements of Cash Flows (Continued)  
Years Ended June 30, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	\$ 138,392	\$ 248,809
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	97,763	66,131
Donated assets	(10,604)	(7,063)
Gain on disposal of assets	(50)	-
Increase decrease in accounts receivable	2,484	159
Increase decrease in due from the State	23,839	(11,058)
Increase decrease in prepaid insurance	(11,310)	2,269
Decrease in accounts payable	2,307	(2,836)
Increase decrease in accrued liabilities	(60)	(2,245)
Decrease in interest payable	<u>4,032</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 246,793</u>	<u>\$ 294,166</u>
Supplemental information of noncash transactions:		
Donated capital additions	<u>\$ 10,604</u>	<u>\$ 7,063</u>

The accompanying notes are an integral part of these statements.

COTEAU WATER SYSTEM, INC.  
New Iberia, Louisiana

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

The Coteau Water System, Inc. (Corporation) is a nonprofit organization formed under laws of the State of Louisiana in 1972. The Corporation was formed to construct, maintain, and operate a water system and to provide services to individuals who acquire membership in the rural community of Iberia Parish. The Corporation is governed by a board of directors composed of seven members elected by the members of the Corporation.

The Corporation is exempt from federal income tax as an organization described in Section 501(c) (12) of the Internal Revenue Code, and the Corporation is classified as a private foundation by the Internal Revenue Service.

The following is a summary of certain significant accounting policies:

A. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Corporation's financial statements have been prepared on the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when incurred.

B. Cash and Cash Equivalents

Cash and cash equivalents is comprised of interest-bearing deposits which are stated at cost, which approximates market. All short-term investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the date of purchase, they have a maturity date no longer than three months.

C. Allowance for Uncollectibles

Through the establishment of an allowance account, uncollectible amounts due from customers' utility receivables are recognized as bad debts at the time information becomes available, which would indicate the uncollectibility of the particular receivable. The allowance for uncollectibles for customers' utility receivables at June 30, 2005 and 2004 was \$3,503 and \$6,703, respectively.

COTEAU WATER SYSTEM, INC.  
New Iberia, Louisiana

Notes to Financial Statements (Continued)

D. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2005 and 2004 are recorded as prepaid items. The only prepaid item that existed at June 30, 2005 and 2004 was prepaid insurance.

E. Inventory

Items that are on hand at June 30, 2005 and 2004 are not recorded as inventory due to immateriality. All items are expensed in the year purchased.

F. Certificates of Deposit

Certificates of deposit are classified separate from cash equivalents if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Certificates of deposit are stated at cost.

G. Property, Plant and Equipment

The cost of the assets recorded for the Corporation represents the actual cost of these assets. All items of property, plant, and equipment are recorded and depreciation is computed and recorded thereon, in accordance with generally accepted accounting principles for nonprofit organizations. In the absence of donor stipulations regarding how long contributed assets must be used, the Corporation has adopted a policy of implying a time restriction that expires over the useful life of the assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives for property, plant, and equipment are as follows:

Auto and trucks	5 years
Office furniture and equipment	5-10 years
Fences	15 years
Buildings and equipment	10-50 years
Deep water wells	50 years
Other equipment	7-50 years
Ground storage tanks	50 years
Distribution system	10-50 years

COTEAU WATER SYSTEM, INC.  
New Iberia, Louisiana

Notes to Financial Statements (Continued)

H. Vacation, Sick Leave, and Compensated Absences

Employees of Coteau Water System, Inc. earn two weeks of vacation time each year. The Corporation allows one day of vacation for each month worked, not to exceed ten days (10) during the first year of hire. Employees can spread their vacation time out during the year. Vacation time may be carried over. It is recorded as an expense of the period in which paid.

I. Advertising

Advertising costs are expensed as incurred. Advertising expense was \$216 and \$220 for the years ending June 30, 2005 and 2004, respectively.

J. Estimates

Preparation of financial statements in accordance with generally accepted accounting principles requires the use of estimates by management. Examples of estimates include the allowance for uncollectibles and the useful lives over which fixed assets are depreciated.

K. Concentrations of Credit Risk

Financial instruments that potentially subject the Corporation to significant concentrations of credit risk consist primarily of cash and cash equivalents.

The Corporation places its cash and investments with high quality financial institutions. At times such amounts may be in excess of FDIC insurance limits. Credit risk with respect to receivables is generally diversified due to a large number of customers; however, the Corporation's customer base is limited to the rural area in Iberia Parish.

L. Unbilled Receivable

Unbilled utility service receivable resulting from utility services rendered between the date of meter reading and billing and the end of the month are deemed to be immaterial at year end.

M. Support and Expenses

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support, depending on the nature of the restriction, that increases those net

COTEAU WATER SYSTEM, INC.  
New Iberia, Louisiana

Notes to Financial Statements (Continued)

asset classes. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets in the statement of activities as net assets released from restrictions.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

(2) Restricted Assets

In accordance with provisions of loan covenants with the United States Department of Agriculture ("USDA"), the Corporation is required to make deposits into a reserve account until such time that they accumulate \$167,196. Expenditures from the reserve account can only be made with prior written approval of the USDA and can only be used for repairs, improvements and other capital expenditures of the Corporation; and, in certain circumstances, debt service payments. Additionally, meter deposits being held by the Corporation in the amount of \$151,410 are considered restricted assets at June 30, 2005.

(3) Property, Plant and Equipment

A summary of property, plant and equipment at June 30, follows:

	<u>2005</u>	<u>2004</u>
Land	\$ 68,140	\$ 68,140
Auto and trucks	25,031	25,031
Office furniture and equipment	10,403	22,490
Fences	11,978	11,978
Buildings and equipment	100,970	100,970
Deep water wells	217,354	217,354
Other equipment	740,426	742,989
Ground storage tanks	41,921	33,240
Distribution system	2,058,950	1,138,368
Construction in progress	<u>-</u>	<u>876,836</u>
Total property, plant and equipment	3,275,173	3,237,396
Less: Accumulated depreciation	<u>(892,737)</u>	<u>(809,625)</u>
Net property, plant and equipment	<u>\$2,382,436</u>	<u>\$2,427,771</u>

Property, plant, and equipment are pledged as collateral on all loans from USDA – Rural Development. Depreciation expense for the years ended June 30, 2005 and 2004 are \$97,763 and \$66,131, respectively.

COTEAU WATER SYSTEM, INC.  
New Iberia, Louisiana

Notes to Financial Statements (Continued)

(4) Changes in Long-Term Debt

The Corporation has various outstanding rural development loans with the United States Department of Agriculture ("USDA"). At June 30, 2005, there were 7 loans with original maturities of 40 years and one loan with an original maturity of 20 years. Interest is fixed at rates of 4.375%, 5.0%, 7.0% and 9.5%. Terms on the loans range from annual payments of principal and interest to monthly payments of principal and interest with aggregate annual payments of principal and interest amounting to \$167,196. The indebtedness is collateralized by a security interest in the plant and equipment.

Although debt service requirements are based on annual and monthly debt service obligations, the Corporation makes semi-annual payments of principal and interest based on one-half of the annual requirement or six months of monthly payments of principal and interest. As of June 30, 2005 the Corporation paid off 5 loans, therefore they are applying the extra semi-annual payments to the loan with the highest interest rate. After the loan with the highest interest rate is paid off in the 2007 fiscal year they will begin to double their semi-annual payments for last loan they obtained from USDA. In light of the payment methods all loans are current and the Corporation has prepaid sufficient amounts of principal to allow them to service the debt in this manner. Original maturities of the loans would have resulted in final payments coming due in 2042. Based on the present manner of debt service based on semi-annual installments will result in a final payment occurring in the 2027 fiscal year.

Based on the Corporation's current semi-annual payment method, the amounts necessary to amortize all debt outstanding at June 30, 2005 is as follows:

Years Ending June 30,	Principal	Interest	Total Debt Service
2006	\$ 107,751	\$ 100,581	\$ 208,332
2007	92,563	96,761	189,324
2008	78,856	91,460	170,316
2009	83,228	87,088	170,316
2010	87,855	82,461	170,316
2011-2015	506,312	333,051	839,363
2016-2020	461,463	184,781	646,244
2021-2025	305,298	56,351	361,649
2026-2027	13,896	806	14,702
	<u>\$1,737,222</u>	<u>\$1,033,340</u>	<u>\$2,770,562</u>

COTEAU WATER SYSTEM, INC.  
New Iberia, Louisiana

Notes to Financial Statements (Continued)

(5) Employee Benefit Plans

Coteau Water System, Inc. established a Simple Employee Pension ("Simple") retirement plan for its employees. The system will match the employee's contributions into the plan up to 3% of compensation. Employer match for the years ended June 30, 2005 and 2004 are \$2,357 and \$0, respectively.

(6) Board of Directors

The Board of Directors consists of seven members who serve without compensation. As of June 30, 2005, board members and their service terms are as follows:

	<u>Term Expires</u>
Officers -	
Alton Huval-President	September, 2006
Daniel Evans-Vice-President	September, 2005
Freddie J. Romero-Secretary	September, 2007
Jean B. Maturin-Treasurer	September, 2005
Other directors -	
Russell J. Romero	September, 2007
Carrol Romero, Sr.	September, 2005
Philip Monte	September, 2006

(7) New Lines Deposits and Memberships

The water system collected memberships and deposits from potential customers along the latest extension. These are being carried as a current liability until the service is provided, at which point they will be transferred to meter deposits and members' investments.

(8) Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following periods or purposes as of June 30, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Remaining estimated useful lives of contributed property and equipment	\$ 103,219	\$ 95,425
State DOTD Contributions	<u>240,674</u>	<u>238,387</u>
	<u>\$ 343,893</u>	<u>\$ 333,812</u>



COTEAU WATER SYSTEM, INC.  
New Iberia, Louisiana

Notes to Financial Statements (Continued)

(9) Net Assets Released From Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the expiration of time for the year ended June 30:

	<u>2005</u>	<u>2004</u>
Time restrictions expired:		
Expired portion of estimated useful lives of contributed property and equipment	<u>\$ 2,810</u>	<u>\$ 2,561</u>

**SUPPLEMENTARY INFORMATION**

COTEAU WATER SYSTEM, INC.  
New Iberia, Louisiana

Statement of Activities - Budget and Actual  
Year Ended June 30, 2005  
With Comparative Actual Amounts for Year Ended June 30, 2004

	2005		Variance -	2004
	Budget	Actual	Favorable (Unfavorable)	Actual
Revenues:				
Service and delinquent charges	\$ 638,600	\$ 620,958	\$ (17,642)	\$ 609,463
Connection and reconnection fees	28,200	47,930	19,730	31,362
Interest income	3,000	9,781	6,781	3,966
Donations	-	10,604	10,604	7,063
Contribution from the State	-	2,287	2,287	110,575
Gain on disposal of assets	-	50	50	-
Membership fees	500	7,400	6,900	5,250
Miscellaneous	1,750	7,593	5,843	7,461
Total revenues	<u>672,050</u>	<u>706,603</u>	<u>34,553</u>	<u>775,140</u>
Expenses:				
Professional fees	6,500	7,025	(525)	6,100
Bad debts	2,000	3,709	(1,709)	371
Chemicals	67,500	46,870	20,630	51,174
Connection fees	25,000	44,139	(19,139)	30,508
Consultants	37,000	542	36,458	533
Depreciation	66,000	97,763	(31,763)	66,131
Director's travel and expense	700	718	(18)	677
Emergency response plan	-	-	-	8,000
Employee benefits	4,000	2,387	1,613	-
Insurance	33,100	24,944	8,156	22,584
Interest	86,000	117,367	(31,367)	93,084
Legal and professional fees	1,500	1,050	450	3,002
Line location	1,500	1,348	152	1,401
Meter reading	24,000	23,416	584	22,040
Miscellaneous expense	3,500	786	2,714	520
Office supplies	12,900	12,526	374	10,570
Repairs and maintenance	97,500	14,629	82,871	42,851
Road permits	500	3,883	(3,383)	975
Salaries	130,000	121,336	8,664	119,252
Security	650	-	650	502
Taxes	26,000	8,541	17,459	11,507
Utilities	35,500	35,232	268	34,549
Total expenses	<u>661,350</u>	<u>568,211</u>	<u>93,139</u>	<u>526,331</u>
Change in net assets	<u>\$ 10,700</u>	138,392	<u>\$ 127,692</u>	248,809
Net assets, beginning of year		1,070,127		821,318
Net assets, end of year		<u>\$1,208,519</u>		<u>\$1,070,127</u>

COTEAU WATER SYSTEM, INC.  
New Iberia, Louisiana

Schedule of Number of Utility Customers and Monthly Water Rates  
(Unaudited)  
June 30, 2005

Records maintained by the Coteau Water System, Inc. indicated the following number of customers was being serviced during the month of June 2005:

Commercial customers:	
Meters under 3/4"	48
Meters over 3/4"	10
Residential customers:	
Non-minority	1,849
Minority	<u>249</u>
Total	<u>2,156</u>

The water rates of the Coteau Water System, Inc. as of June 30, 2005 are as follows:

Residential Rates:  
\$12.00 for the first 2,000 gallons  
\$2.75 per 1,000 gallons thereafter

Commercial Rates:  
\$18.00 for the first 3,000 gallons  
\$2.75 per 1,000 gallons thereafter

COTEAU WATER SYSTEM, INC.  
New Iberia, Louisiana

Schedule of Insurance in Force  
(Unaudited)  
June 30, 2005

<u>Insurance Agency</u>	<u>Insurance Coverage</u>	<u>Amount of Coverage</u>	<u>Expiration of Policy</u>
Dupuy-Jefferson-Waguespack	Boiler & Machine	\$ 600,000	2/4/2006
Louisiana Worker's Compensation	Worker's Compensation	\$ 100,000	12/12/2005
Dupuy-Jefferson-Waguespack	Automobile:		
	Bodily Injury	\$ 300,000	5/5/2006
	Property Damage	\$ 300,000	5/5/2006
	Uninsured Motorist	\$ 300,000	5/5/2006
Dupuy-Jefferson-Waguespack	Fidelity Bond (covers four employees)	\$ 190,000 per person	5/5/2006
Dupuy-Jefferson-Waguespack	Pollution Insurance	\$2,000,000	10/18/2007
Dupuy-Jefferson-Waguespack	Casualty Insurance:		
	General Liability:		
	Personal Injury	\$1,000,000	5/5/2006
	Products-Completed Operations	\$1,000,000	5/5/2006
	Fire Damage	\$ 100,000	5/5/2006
	Medical Expense	\$ 5,000	5/5/2006
	Property Damage:		
	Blanket Building & Personal Property	\$1,315,915	5/5/2006

COTEAU WATER SYSTEM, INC.  
New Iberia, Louisiana

Accounts Receivable Aging Schedule  
(Unaudited)  
June 30, 2005

Less than 30 days	\$ 53,105
31 to 60 days	4,244
61 to 90 days	307
91 to 120 days	170
Over 120 days	<u>555</u>
Total accounts receivable	<u>\$ 58,381</u>

**COMPLIANCE  
AND  
INTERNAL CONTROL**

# KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

\* A Professional Accounting Corporation

The Board of Directors  
Coteau Water System, Inc.  
New Iberia, Louisiana

We have audited the financial statements of Coteau Water System, Inc. (a nonprofit organization), as of and for the year ended June 30, 2005, and have issued our report thereon dated July 26, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Coteau Water System, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Coteau Water System, Inc.'s ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying summary of prior and current audit findings and management's corrective action plan as item 05-1(IC).

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe the reportable condition identified above is a material weakness.

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### Compliance

As part of obtaining reasonable assurance about whether Coteau Water System, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, others within the organization, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statutes 24:513, this report is distributed by the Legislative Auditor as a public document.

***Kolder, Champagne, Slaven & Company, LLC***  
Certified Public Accountants

Lafayette, Louisiana  
July 26, 2005

COTEAU WATER SYSTEM, INC.  
New Iberia, Louisiana

Summary Schedule of Current and Prior Year Audit Findings  
and Corrective Action Plan  
Year Ended June 30, 2005

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Corrective Action Planned	Name of Contact Person	Anticipated Completion Date
CURRENT YEAR (6/30/05) --						
<u>Internal Control:</u>						
05-1(IC)	Unknown	Due to the small number of employees, the Corporation did not have adequate segregation of functions within the accounting system.	N/A	Management has determined that it is not cost effective to achieve complete segregation of duties within the accounting department. No action is considered necessary.	Shirley Huval	N/A
PRIOR YEAR (6/30/04) --						
<u>Internal Control:</u>						
04-1(IC)	Unknown	Due to the small number of employees, the Corporation did not have adequate segregation of functions within the accounting system.	N/A	Management has determined that it is not cost effective to achieve complete segregation of duties within the accounting department. No action is considered necessary.	Shirley Huval	N/A